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C O N F I D E N T I A L ISTANBUL 002171

SIPDIS

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SUBJECT: AMBASSADOR'S FIRST VISIT TO ISTANBUL

Classified By: Classified by Consul General Deborah K. Jones.
Reasons 1.4 (b,d)

1. (SBU) In his first visit to Istanbul December 18-20, Ambassador met with a range of business, government and other leaders, including Mustafa Koc, head of Turkey's largest holding company, Aydin Dogan, the country's leading media baron, the Turkish-American Business Council (TAIK), the American Business Forum in Turkey, the Istanbul governor and mayor, Ecumenical Patriarch Bartholomew, and Bilgi University political scientist Soli Ozel.

"Modernizing" the Relationship

2. (SBU) In his remarks to his Turkish interlocutors, the Ambassador emphasized the importance he attaches to dialogue outside the capital with Turks in many different fields. He stressed the U.S. and Turkish governments' interest in improving relations, and said he views strengthened ties not as an end in itself, but as a means to deliver results. The Ambassador highlighted as specific priorities improving our collaboration on Iraq, Syria and Iran; managing Cyprus; supporting Turkish efforts with the EU; and furthering economic and democratic reforms in Turkey. He emphasized USG interest in expanding trade and investment, and he thanked city officials for their work with consulate and embassy staff, especially regarding security for our facilities and personnel.

Economic Positives; Political Concerns

3. (C) Business leaders underlined the extremely positive economic picture in Turkey. Mustafa Koc noted that the AK party government, helped by the roadmaps it inherited from the IMF and Kemal Dervis, has done a good job. Five years ago, he said, he would not have believed Turkey could be where it is today. He and Aydin Dogan judged that Turkey is on the right path, that the country's current account deficit (the largest cloud on the horizon) is financeable, and that the success of recent privatizations is a sign of how far Turkey has come. Koc judged, however, that 2006 will be a critical year, as a result of the possibility of early elections and the upcoming end of Central Bank Governor Sureya Serdengeci's term. Unemployment, he added, remains an intractable problem, and will only be resolved when further structural reforms are undertaken, and Turkey's bureaucracy is reduced. American companies, while citing some specific problems in their individual sectors (lingering IPR difficulties for the pharmaceutical industry, labor relations woes in the tire sector, for example), concurred with Dogan and Koc's generally bullish view, AIG representative Phillip Schwarz said his firm sees Turkey as one of its key growing markets in coming years.

4. (C) On Turkish politics, interlocutors expressed concern with a "loss of focus" on the part of the government since the opening of EU accession negotiations in October. Most stressed that the government has been extremely disappointed with the EU's failure to deliver anything in return for the difficult steps the government took undertaken on Cyprus, with some arguing that further hard work on the EU process will be put off until after the 2007 elections. Sami Ozel observed increasing "religiosity" of Prime Minister Erdogan's rhetoric, which he attributed to the preparation of Erdogan's base for elections if the establishment is able to force him to call them early. Dogan, however, judged that debate about such issues as headscarves will remain just that, and that the government will not actually push the issue.

5. (C) Several interlocutors expressed concern and disappointment with Justice Minister Cicek's failure to take a strong stand against the prosecution of Orhan Pamuk. Aydin Dogan complained about foreign observers' interference with the Turkish judiciary. While he said he could not be in favor of limiting freedom of expression, he believed Pamuk should be subject to the law. The Ambassador stressed the freedom of expression at stake, urged a change in the law and dismissal of the pending charges, and noted the corrosive effect the case would have on attitudes toward Turkey in the U.S. and EU.

6. (SBU) Throughout his three-day visit, the Ambassador was

warmly and cordially received and garnered wide and favorable press coverage, reflecting the widespread desire here to continue the recovery of our bilateral relationship.

JONES